

City of Detroit

CITY COUNCIL

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TO: Thomas J. Lijana, Group Executive
Finance Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 29, 2011

RE: 2011-2012 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2011-2012 Fiscal Year.

We would appreciate a written response to the issues/questions by **Tuesday, May 10, 2011**. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:jgp:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Floyd Stanley, Budget Deputy Director
Renee Short, Budget Manager II
Denise Gardner, Mayor's Office

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Finance Department (23)

FY 2011-2012 Budget Analysis Daily

Summary

The Finance Department is a general fund agency. The recommended 2011-2012 budget appropriations total \$40.8 million. The department's net tax cost is \$32.0 million, which is \$2.0 million lower than the current year's net tax cost.

The Mayor recommends a net decrease of 18 positions.

2010-2011 Surplus/(Deficit)

The Administration anticipates that Finance will end the year with a \$5.1 million net surplus due to departmental vacancies.

Overtime

The department has an overtime budget of \$1,103,359 in the current fiscal year. Through March 31, 2011, the department has spent \$603,341 in overtime, or 45.3% of the budget. This leaves \$500,018 remaining for the current year.

For 2011-2012 the recommended budget for overtime is \$954,379, a decrease of \$148,980, or a 13.5% decrease from fiscal year 2010-2011 budgeted amount.

Personnel and Turnover Savings

	Redbook Positions FY 2010- 11	Filled Positions 3/31/2011	Mayor's Budget Positions FY 2011-12	Over/(Under) Actual to 10/11 Budget	Mayor's Recommended Turnover
Appropriation/Program					
Finance Department (23)					
00058 Administration	4	9	5	5	\$ -
00060 Assessments Division	56	53	54	(3)	\$ -
00061 Purchasing Division	21	21	21	0	\$ -
230070 Treasury	44	46	47	2	\$ -
230075 Debts and Disbursements	6	6	5	0	\$ -
00063 Treasury Division	50	52	52	2	\$ -
230020 Project Administration	3	3	0	0	\$ -
230030 Accounts Payable	14	12	13	(2)	\$ -
230060 Payroll Audit	15	12	15	(3)	\$ -
230090 Debt Management	0	0	0	0	\$ -
230100 Risk Management	23	19	22	(4)	\$ -
230130 General Accounting	20	16	20	(4)	\$ -
230145 Grants Management	3	0	0	(3)	\$ -
00245 Accounts Division - Admin.	78	62	70	(16)	\$ -
00246 Accts.-Pension & Employee Ben.	35	29	35	(6)	\$ -
00247 Accts.-City Income Tax Oper.	44	41	43	(3)	\$ -
00832 Departmental Accounting Oper.	30	24	20	(6)	\$ -
00982 DRMS	0	0	0	0	\$ -
230025 Targeted Business	0	1	0	1	\$ -

Development

23XXXX Unmatched	0	0	0	0	\$ -
23XXXX Worker's Comp	0	0	0	0	
23XXXX Leave of Absence	0	(3)	0	(3)	\$ -
TOTAL	<u>318</u>	<u>289</u>	<u>300</u>	<u>29</u>	<u>\$ -</u>

The Mayor recommends a net decrease in positions of 18 as detailed by Cost Center in the following table.

Position Changes by Cost Center

	Recommended Position Changes	
<u>Appropriation/Program</u>		
Finance Department (23)		
00058 Administration		
230010 Administration		
Chief Accounting Officer	1	
Total		1
00060 Assessments Division		
230120 Assessment		
Manager II	(1)	
Appraiser II	(1)	
Executive Secretary II	(1)	
Administrative Specialist I	1	
Total		(2)
00061 Purchasing Division		
230080 Purchasing		
General Manger	(1)	
Business Analyst	(1)	
Deputy Arts Director	(1)	
Purchasing Assistant	1	
Purchasing Assistant	1	
Manager I	1	
Total		0
00063 Treasury Division		
230070 Treasury		
Principal Accountant	1	
Revenue Collections Specialist	1	
Revenue Collections Clerk	(1)	
Senior Clerk	1	
Manager I	1	
Total		3
230075 – Debts and Disbursements		
Manager I – Finance	(1)	
Total		(1)
00245 Accounts Division - Admin.		
230020 – Project Administration		
Manager II	(1)	
Principal Accountant	(2)	
Total		(3)

230030 - Accounts Payable

Senior Voucher Audit Clerk	(1)	
Senior Accountant	(1)	
General Manager	1	
Total		(1)

230060 - Payroll Audit

Senior Payroll Audit Clerk	(1)	
Payroll Audit Clerk	1	
Total		0

230100 - Risk Management

Manager I	1	
Risk Analyst	(1)	
Worker's Compensation Manager	(1)	
Total		(1)

230130 - General Accounting

Chief Accounting Officer	(1)	
General Manager - Finance	1	
Business System Support Splst	(1)	
Principal Accountant	1	
Senior Accountant	1	
Executive Secretary I	(1)	
Total		0

230145 - Grants Management

General Manager - Finance	(1)	
Senior Accountant	(2)	
Total		(3)

00246 Accts.-Pension & Employee Ben.**230040 - Pension**

Total		0
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00247 Accts.-City Income Tax Oper.**230110 - Accounts - City Income Tax Oper.**

Senior Income Tax Investigator	(3)	
Income Tax Investigator	1	
Clerk	(2)	
Office Assistant II	4	
Office Assistant I	(1)	
Total		(1)

00832 Departmental Accounting Oper.**230050 - Departmental Accounting Oper.**

Manager II - Finance	(1)	
Manager I - Finance	(2)	
Principal Accountant	(1)	
Senior Accountant	(3)	
Senior Bookkeeper	(1)	
Office Assistant III	(2)	
Total		(10)

TOTAL		(18)
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Budgeted Professional and Contractual Services by Activity

Finance (23)

Budgeted Professional and Contractual Services by Activity	FY 2010-11 Budget	FY 2011-12 Recommended	Increase (Decrease)
Administration	\$ 508,108	\$ 571,910	\$ 63,802
Assessments	902,249	853,753	(48,496)
Purchasing	-	-	-
Treasury	265,000	959,400	694,400
Accounting Operations	6,342,669	1,733,550	(4,609,119)
Income Tax Operation	100,050	279,025	178,975
Pension & Employee Benefits	<u>2,554,206</u>	<u>2,215,311</u>	<u>(338,895)</u>
Total	<u>\$ 10,672,282</u>	<u>\$ 6,612,949</u>	<u>\$ (4,059,333)</u>

Significant Funding Changes

The Contractual Services accounts are decreasing by \$4.1 million from \$10.7 million to \$6.6 million, a 38% decrease.

Issues and Questions

1. Explain the increase of \$102,852 in parking expenditures from 2010-2011 budgeted amount of \$3,000 to \$105,852 in 2011-2012 Mayor's Proposed Budget.
2. Explain the increase of \$512,000 in bank service charges from 2010-2011 budgeted amount of \$280,000 to \$652,000 in 2011-2012 Mayor's Proposed Budget.
3. Thus far, in the current year, the department appears to be managing overtime as after 75% of the year has passed, only 45.3% of the overtime budget has been expended. Is there some special activity during the last quarter of the fiscal year that will cause an increase in overtime expenditures? Considering 2009-2010 actual overtime spending of \$723,115, why did the Finance Department request \$1,004,379 (Mayor recommended \$954,379) for overtime?
4. Explain the decrease in professional and contractual services of \$4.1 million in the budget, more than a 38% decrease in this group of accounts. Any impact on City's services or operations of Finance Department?
5. In the Treasury Division, the Mayor Proposed Budget has eight Revenue Collector positions; seven Revenue Collections Specialist positions and two Revenue Collection Clerk positions. City also signed a contract with Municipal Service Bureau for collection services. How much has been collected by the Revenue Collection Division in fiscal year 2010-2011? How much has been collected by Municipal Service Bureau in fiscal year 2010-2011? Does the Finance Department write off any uncollectible? How much is the uncollectible total citywide as of March 31, 2011? Does Finance Department have a standard procedure or policy on how to collect delinquent accounts?

6. Page D39 of the Executive Summary indicates that the Treasury Division will implement new cross reference COD tax return database with IRS database and next generation of property tax invoicing system. How much does the implementation of the new system cost?
7. In Accounts Division, Project Administration Section has been removed for 2011-2012 Mayor Proposed Budget. Any impact on the operations of the Finance Department?
8. The Finance Department staff is involved in the development and implementation of major systems for the City, including a Human Resources Management and Payroll System, and a cash management system. Provide Council with an update on the progress of the implementation of these systems. What is the anticipated completion of the implementation of the systems? What is the anticipated cost to complete these projects? What cost reductions, service improvements, or enhanced revenue collections are expected from the systems?
9. Has the Finance Department administration considered utilizing an afternoon shift in certain areas of the agency in order to process and record daily transactions? This would be similar to banks and other businesses. The goal would be to review the daily transactions, verify and record, or investigate and correct while the information is still fresh, minimizing reconciliation problems. The current practice allows transactions to back up and then they are processed in a batch-type manner, many days later.
10. As a cost-reducing proposal has the subject of "piggybacking" our income tax form onto the state's form been seriously discussed? This is what many cities in other states do. Has anyone approached the state treasurer about implementing this?
11. Both Federal and State Income Taxes can be filed electronically on-line. Is the City moving in that direction? When might citizens expect on-line submission of City Income Tax forms to be available? Would working with the State on a combined tax form as stated above, have the potential to facilitate electronic filling at a minimal cost?
12. The 2010 Audit of the Income Tax Division of the Finance Department reported that the Finance Department failed to identify non-filers. Any improvement on the audit finding?
13. What new or updated Finance Directives have resulted from the release of the latest CAFR and management letter? Shouldn't this be one of the outcomes from the use of outside firms to assist the City in the recording and completion of the financial statement in preparation of the audits? Wouldn't new and updated Finance Directives improve the ability of the City staff to consistently enter transactions and prepare financial statements with the intention of reducing the need for outside contracts?
14. Explain the agreement between the Finance Department and the two retirement system boards on cost and reimbursement of cost for the Pension Division. Is there a written agreement? If so, provide a copy of the agreement for Council.

What sources of revenue do the retirement system boards use to cover the cost of the Pension Division?

15. Please update Council on the implementation of the Defined Contribution Retirement Plan. What specifically does the Finance Department understand as preventing its implementation?
16. What is the status of the acquisition/construction of a building for the Retirement Systems? What is the current estimate or timetable for relocation of the Pension Office from the Coleman A. Young Municipal Building to a new location?
17. What amount of stimulus funding has been granted to the City of Detroit directly? How much of the stimulus funding has been recorded in the financial reporting system? Provide Council with a set of financial reports from the system that shows the amount of stimulus funds spent to date. What is the deadline for expenditure of the stimulus funding? Identify any challenges the City faces in meeting the deadline for expenditure of stimulus funds.
18. How many automated systems remain in use throughout the city that do not directly share data with the financial reporting system? How many of these systems should be tied into the financial reporting system? What is the Finance Department's plan to address this concern?
19. Explain \$17.0 million to be received from the Transformation Management Office Initiative on Income Taxes.